



**POHNPEI STATE GOVERNMENT
OFFICE OF THE PUBLIC AUDITOR**

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February 20, 2024

The Honorable Stevenson Joseph
Governor
Pohnpei State 96941
Federated States of Micronesia

And

The Honorable Marvin Yamaguchi
Speaker
11th Pohnpei Legislature
Pohnpei State 96941
Federated States of Micronesia

Maing Oahloakoa:

We are pleased to transmit the inspection and evaluation report on the Japan Grant used for "The Project for Construction of Nan Madol Visitor Center" for Pohnpei State Government. We conducted our inspection and evaluation in accordance with the Quality Standards for Inspection and Evaluation issued by the United States Council of the Inspectors General on Integrity and Efficiency.

The review was conducted as required under the Japan Grant Agreement between the Embassy of Japan in the FSM and the Department of Resources and Development.

With warm regards, I am

Sincerely,

A handwritten signature in cursive script, appearing to read "for Alice" followed by a flourish.

Ihlen K. Joseph
State Auditor
Pohnpei



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February 20, 2024

The Honorable Nobuo Kagomiya, Ambassador Extraordinary and Plenipotentiary
Mr. Eugene Eperiam, Acting Director

RE: Inspection Report No. IE 001-24 The Project for Construction of Nan Madol Visitor Center

EXECUTIVE SUMMARY

We have conducted and completed our inspection of “The Project for Construction of Nan Madol Visitor Center” (the Project) for the Pohnpei State Government. The review of the Project was requested by the Department of Resources and Development as required by the grant agreement. This report, number IE 001-24, presents the results of our review. The report also contains our recommendations for other matters where we noted opportunities for improvement to achieve the full benefits intended from the grant assistance.

Background

Pohnpei State has several historical sites, including the Nan Madol ruins located in Temwen, Madolenihmw of Pohnpei State.

To enhance tourism, the Pohnpei State Government through its Department of Resources and Development (R&D) requested assistance from the Embassy of Japan in the FSM to supplement the financial resources to construct a Nan Madol visitors information center in Madolenihmw, Pohnpei State. The request was granted and the Embassy of Japan in the FSM made available \$181,394 to Pohnpei State exclusively for the execution of “The Project for Construction of Nan Madol Visitor Center”. The Contract Agreement between Embassy of Japan (EOJ) and R&D was signed on January 17, 2019 with the following requirements:

- A. To provide the Donor with an official receipt for the grant received;
- B. To provide the Donor with documents relevant to the Project such as procurement contracts for products and/or services upon request by the Donor;
- C. To use the grant properly and exclusively for the purchase of such products and/or services necessary for the execution of the Project as enumerated in the Annex of this contract and

- not to use those products and/or services purchased with the grant for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor;
- D. To provide the Donor with the following reports on the progress of the Project: (1) one interim report to be provided within six months after the contract date; (2) one project completion report to be provided upon the completion of the Project; (3) any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions;
 - E. To complete the Project within one year after the contract date
 - F. To consult with and receive instructions from the Donor in case the Recipient wishes: (1) to change how the grant is spent from the original plan in the application; (2) to change the contents of the Project; (3) to suspend and/or terminate execution of the Project; (4) to extend the completion date of the Project;
 - G. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;
 - H. To bear all responsibilities for deaths, injuries, diseases, and any other damages to the members of the Recipient in the course of the Project, and that the Donor will not be responsible for anything that happens during the execution of the Project;
 - I. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
 - J. To recognize that the Donor reserves the right to claim a refund of a portion or the whole of the grant if: (1) a part or the whole of the grant remains unused when the execution of the Project is suspended or terminated; (2) the Recipient breaches this contract; and
 - K. That this contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

Beside for the reports on the progress of the project, an independent review and the resulting report on the use of the grant is required after the completion of the project. Hence, R&D requested the Pohnpei Office of the Public Auditor to conduct a review of the grant.

Objective, Scope and Methodologies

The objective of the review was to determine whether R&D expended the fund in accordance with the grant agreement and applicable laws and regulations of Pohnpei State. Our inspection was limited to the review of the Japan Grant received for "The Project for Construction of Nan Madol Visitor Center". To achieve our inspection objective, we conducted interviews and reviewed records and documentation, verified and inspected the Visitor Center and took pictures. Our inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspector General on Integrity and Efficiency (CIGIE).

On Site Visit

During on-site inspection and review of the project, the auditors confirmed the existence of the Visitor Center constructed in Temwen, Madolenihmw. The structure seemed to be in good condition but it is not in use yet. Pictures of the Visitor Center are attached as part of this report on page 5, (Appendix B).

Inspection Result

Based on our inspection, inquiries and review performed from November 2023 to January 2024, we observed the following:

- (1) Based on Pohnpei State's Transportation and Infrastructure Inspector's report dated February 23, 2021, 3rd progress payment report (on the construction of the Visitor Center) on February 23, 2021, and the Director of R&D's request on March 9, 2021, Japan Ambassador to the FSM approved the first disbursement of the Japan Grant on March 16, 2021. Payment of \$99,724.54 was made on March 18, 2021 for the completed 60% of the construction works.
- (2) 2nd disbursement of the Japan Grant was approved on August 13, 2021 for \$69,779.96 based on the submitted inspection and progress reports. Payment was made on August 17, 2021.
- (3) Final disbursement of the Japan Grant was requested and made on January 7, 2022 in the amount of \$11,889.50. The payment approved by the Embassy of Japan in the FSM and was supported by inspection and progress reports.

The summary of the Project disbursements is shown on Appendix A, page 4 of this report.

Conclusion

Based on our inspection, we conclude that R&D expended the grant fund in accordance with the terms and conditions set out in the Grant Agreement for "The Project for Construction of Nan Madol Visitor Center". We confirmed that the grant received from Japan Government through its Embassy in the FSM was expended solely for the construction of the Visitors Center as approved and specified in the Grant Agreement.

Other Matter

We however, observed that since its completion in December 2021, the Visitors Center has yet to open for the purpose it was built for. Therefore, we encourage Pohnpei State Government to resolve whatever is preventing the opening and use of the Visitors Center to ensure that the plans and goals of the government for visitors/tourism are realized.

We appreciate very much the cooperation and the assistance extended to us by the Embassy of Japan in the Federated States of Micronesia and management and staff of R&D.

Please contact us at telephone number 320-2638 for any clarification relating to our report, if required.

With warm regards, I am,


Ihlen K. Joseph
Pohnpei State Auditor

Xc: Governor
Speaker
Attorney General
External Assistance Coordinator

Appendix A:

Summary of the Project Account (Japan Grant)

Cash Receipts/Grant Award	\$181,394.00
3/18/21 Progress Payment –1 st Disbursement from the Japan Grant	(99,724.54)
8/17/21 Progress Payment – 2 nd Disbursement from the Japan Grant	(69,779.96)
1/7/22 Final Payment - Final Disbursement from the Japan Grant	<u>(11,889.50)</u>
Remaining Balance	<u>0.00</u>

Appendix B



Front View



Right View



Right/Front View



Inside View



Entrance View